

Conference Engrossed

State of Arizona  
Senate  
Forty-sixth Legislature  
Second Regular Session  
2004

CHAPTER 335

# SENATE BILL 1366

AN ACT

AMENDING SECTION 38-651, ARIZONA REVISED STATUTES; RELATING TO THE DEPARTMENT  
OF ADMINISTRATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 38-651, Arizona Revised Statutes, is amended to  
3 read:

4 38-651. Expenditure of monies for health and accident insurance

5 A. The department of administration may expend public monies  
6 appropriated for such purpose to procure health and accident coverage for  
7 full-time officers and employees of the state and its departments and  
8 agencies. The department of administration may adopt rules which provide  
9 that if an employee dies while the employee's surviving spouse's health  
10 insurance is in force, the surviving spouse shall be entitled to no more than  
11 thirty-six months of extended coverage at one hundred two per cent of the  
12 group rates by paying the premiums. No public monies may be expended to pay  
13 all or any part of the premium of health insurance continued in force by the  
14 surviving spouse. The department of administration shall seek a variety of  
15 plans, including indemnity health insurance, hospital and medical service  
16 plans, dental plans and health maintenance organizations. On a  
17 recommendation of the department of administration and the review of the  
18 joint legislative budget committee, the department of administration may  
19 self-insure for the purposes of this subsection. If the department of  
20 administration self-insures, the department may contract directly with  
21 preferred provider organizations, physician and hospital networks, indemnity  
22 health insurers, hospital and medical service plans, dental plans and health  
23 maintenance organizations. IF THE DEPARTMENT SELF-INSURES, THE DEPARTMENT  
24 SHALL PROVIDE THAT THE SELF-INSURANCE PROGRAM INCLUDE ALL HEALTH COVERAGE  
25 BENEFITS THAT ARE MANDATED PURSUANT TO TITLE 20. THE SELF-INSURANCE PROGRAM  
26 SHALL INCLUDE PROVISIONS TO PROVIDE FOR THE PROTECTION OF THE OFFICERS AND  
27 EMPLOYEES, INCLUDING GRIEVANCE PROCEDURES FOR CLAIM OR TREATMENT DENIALS,  
28 CREDITABLE COVERAGE DETERMINATIONS, DISSATISFACTION WITH CARE AND ACCESS TO  
29 CARE ISSUES. The department of administration by rule shall designate and  
30 adopt performance standards, including cost competitiveness, utilization  
31 review issues, network development and access, conversion and implementation,  
32 report timeliness, quality outcomes and customer satisfaction for qualifying  
33 plans. The qualifying plans for which the standards are adopted include  
34 indemnity health insurance, hospital and medical service plans, closed panel  
35 medical and dental plans and health maintenance organizations, and for  
36 eligibility of officers and employees to participate in such plans. Any  
37 indemnity health insurance or hospital and medical service plan designated  
38 as a qualifying plan by the department of administration must be open for  
39 enrollment to all permanent full-time state employees, except that any plan  
40 established prior to June 6, 1977 may be continued as a separate plan. Any  
41 closed panel medical or dental plan or health maintenance organization  
42 designated as the qualifying plan by the department of administration must  
43 be open for enrollment to all permanent full-time state employees residing  
44 within the geographic area or area to be served by the plan or

1 organization. Officers and employees may select coverage under the available  
2 options.

3 B. The department of administration may expend public monies  
4 appropriated for such purpose to procure health and accident coverage for the  
5 dependents of full-time officers and employees of the state and its  
6 departments and agencies. The department of administration shall seek a  
7 variety of plans, including indemnity health insurance, hospital and medical  
8 service plans, dental plans and health maintenance organizations. On a  
9 recommendation of the department of administration and the review of the  
10 joint legislative budget committee, the department of administration may  
11 self-insure for the purposes of this subsection. If the department of  
12 administration self-insures, the department may contract directly with  
13 preferred provider organizations, physician and hospital networks, indemnity  
14 health insurers, hospital and medical service plans, dental plans and health  
15 maintenance organizations. IF THE DEPARTMENT SELF-INSURES, THE DEPARTMENT  
16 SHALL PROVIDE THAT THE SELF-INSURANCE PROGRAM INCLUDE ALL HEALTH COVERAGE  
17 BENEFITS THAT ARE MANDATED PURSUANT TO TITLE 20. THE SELF-INSURANCE PROGRAM  
18 SHALL INCLUDE PROVISIONS TO PROVIDE FOR THE PROTECTION OF THE OFFICERS AND  
19 EMPLOYEES, INCLUDING GRIEVANCE PROCEDURES FOR CLAIM OR TREATMENT DENIALS,  
20 CREDITABLE COVERAGE DETERMINATIONS, DISSATISFACTION WITH CARE AND ACCESS TO  
21 CARE ISSUES. The department of administration by rule shall designate and  
22 adopt performance standards, including cost competitiveness, utilization  
23 review issues, network development and access, conversion and implementation,  
24 report timeliness, quality outcomes and customer satisfaction for qualifying  
25 plans. The qualifying plans for which the standards are adopted include  
26 indemnity health insurance, hospital and medical service plans, closed panel  
27 medical and dental plans and health maintenance organizations, and for  
28 eligibility of the dependents of officers and employees to participate in  
29 such plans. Any indemnity health insurance or hospital and medical service  
30 plan designated as a qualifying plan by the department of administration must  
31 be open for enrollment to all permanent full-time state employees, except  
32 that any plan established prior to June 6, 1977 may be continued as a  
33 separate plan. Any closed panel medical or dental plan or health maintenance  
34 organization designated as a qualifying plan by the department of  
35 administration must be open for enrollment to all permanent full-time state  
36 employees residing within the geographic area or area to be served by the  
37 plan or organization. Officers and employees may select coverage under the  
38 available options.

39 C. The department of administration shall MAY designate the Arizona  
40 health care cost containment system established by title 36, chapter 29 as  
41 a qualifying plan for the provision of health and accident coverage to  
42 full-time state officers and employees and their dependents. The Arizona  
43 health care cost containment system shall not be the exclusive qualifying  
44 plan for health and accident coverage for state officers and employees either  
45 on a statewide or regional basis.

1 D. Except as provided in section 38-652, public monies expended  
2 pursuant to this section each month shall not exceed:

3 1. Five hundred dollars multiplied by the number of officers and  
4 employees who receive individual coverage.

5 2. One thousand two hundred dollars multiplied by the number of  
6 married couples if both members of the couple are either officers or  
7 employees and each receives individual coverage or family coverage.

8 3. One thousand two hundred dollars multiplied by the number of  
9 officers or employees who receive family coverage if the spouses of the  
10 officers or employees are not officers or employees.

11 E. Subsection D of this section:

12 1. Establishes a total maximum expenditure of public monies pursuant  
13 to this section.

14 2. Does not establish a minimum or maximum expenditure for each  
15 individual officer or employee.

16 F. In order to ensure that an officer or employee does not suffer a  
17 financial penalty or receive a financial benefit based on the officer's or  
18 employee's age, gender or health status, the department of administration  
19 shall consider implementing the following:

20 1. Requests for proposals for health insurance that specify that the  
21 carrier's proposed premiums for each plan be based on the expected age,  
22 gender and health status of the entire pool of employees and officers and  
23 their family members enrolled in all qualifying plans and not on the age,  
24 gender or health status of the individuals expected to enroll in the  
25 particular plan for which the premium is proposed.

26 2. Recommendations from a legislatively established study group on  
27 risk adjustments relating to a system for reallocating premium revenues among  
28 the contracting qualifying plans to the extent necessary to adjust the  
29 revenues received by any carrier to reflect differences between the average  
30 age, gender and health status of the enrollees in that carrier's plan or  
31 plans and the average age, gender and health status of all enrollees in all  
32 qualifying plans.

33 G. Each officer or employee shall certify on the initial application  
34 for family coverage that such officer or employee is not receiving more than  
35 the contribution for which eligible pursuant to subsection D of this section.  
36 Each officer or employee shall also provide such certification on any change  
37 of coverage or marital status.

38 H. If a qualifying health maintenance organization is not available  
39 to an officer or employee within fifty miles of the officer's or employee's  
40 residence and the officer or employee is enrolled in a qualifying plan, the  
41 officer or employee shall be offered the opportunity to enroll with a health  
42 maintenance organization when the option becomes available. If a health  
43 maintenance organization is available within fifty miles and it is determined  
44 by the department of administration that there is an insufficient number of  
45 medical providers in the organization, the department may provide for a

1 change in enrollment from plans designated by the director when additional  
2 medical providers join the organization.

3 I. Notwithstanding the provisions of subsection H of this section,  
4 officers and employees who enroll in a qualifying plan and reside outside the  
5 area of a qualifying health maintenance organization shall be offered the  
6 option to enroll with a qualified health maintenance organization offered  
7 through their provider under the same premiums as if they lived within the  
8 area boundaries of the qualified health maintenance organization, provided  
9 that:

10 1. All medical services are rendered and received at an office  
11 designated by the qualifying health maintenance organization or at a facility  
12 referred by the health maintenance organization.

13 2. All nonemergency or nonurgent travel, ambulatory and other expenses  
14 from the residence area of the officer or employee to the designated office  
15 of the qualifying health maintenance organization or the facility referred  
16 by the health maintenance organization shall be the responsibility of and at  
17 the expense of the officer or employee.

18 3. All emergency or urgent travel, ambulatory and other expenses from  
19 the residence area of the officer or employee to the designated office of the  
20 qualifying health maintenance organization or the facility referred by the  
21 health maintenance organization shall be paid pursuant to any agreement  
22 between the health maintenance organization and the officer or employee  
23 living outside the area of the qualifying health maintenance organization.

24 J. The department of administration shall allow any school district  
25 in this state that meets the requirements of section 15-388, a charter school  
26 in this state that meets the requirements of section 15-187.01 or a city,  
27 town, county, community college district, special taxing district, authority  
28 or public entity organized pursuant to the laws of this state that meets the  
29 requirements of section 38-656 to participate in the health and accident  
30 coverage prescribed in this section, EXCEPT THAT PARTICIPATION IS ONLY  
31 ALLOWED IN A HEALTH PLAN THAT IS OFFERED BY THE DEPARTMENT AND THAT IS  
32 SUBJECT TO TITLE 20, CHAPTER 1, ARTICLE 1. A school district, a charter  
33 school, a city, a town, a county, a community college district, a special  
34 taxing district, an authority or any public entity organized pursuant to the  
35 laws of this state rather than the state shall pay directly to the benefits  
36 provider the premium for its employees.

37 K. The department of administration shall determine the actual  
38 administrative and operational costs associated with school districts,  
39 charter schools, cities, towns, counties, community college districts,  
40 special taxing districts, authorities and public entities organized pursuant  
41 to the laws of this state participating in the state health and accident  
42 insurance coverage. These costs shall be allocated to each school district,  
43 charter school, city, town, county, community college district, special  
44 taxing district, authority and public entity organized pursuant to the laws  
45 of this state based upon the total number of employees participating in the

1 coverage. THIS SUBSECTION ONLY APPLIES TO A HEALTH PLAN THAT IS OFFERED BY  
2 THE DEPARTMENT AND THAT IS SUBJECT TO TITLE 20, CHAPTER 1, ARTICLE 1.

3 L. Insurance providers contracting with the state shall separately  
4 maintain records that delineate claims and other expenses attributable to  
5 participation of a school district, charter school, city, town, county,  
6 community college district, special taxing district, authority and public  
7 entity organized pursuant to the laws of this state in the state health and  
8 accident insurance coverage and, by November 1 of each year, shall report to  
9 the department of administration the extent to which state costs are impacted  
10 by participation of school districts, charter schools, cities, towns,  
11 counties, community college districts, special taxing districts, authorities  
12 and public entities organized pursuant to the laws of this state in the state  
13 health and accident insurance coverage. By December 1 of each year, the  
14 director of the department of administration shall submit a report to the  
15 president of the senate and the speaker of the house of representatives  
16 detailing the information provided to the department by the insurance  
17 providers and including any recommendations for possible legislative action.

18 M. NOTWITHSTANDING SUBSECTION J OF THIS SECTION, ANY SCHOOL DISTRICT  
19 IN THIS STATE THAT MEETS THE REQUIREMENTS OF SECTION 15-388, A CHARTER SCHOOL  
20 IN THIS STATE THAT MEETS THE REQUIREMENTS OF SECTION 15-187.01 OR A CITY,  
21 TOWN, COUNTY, COMMUNITY COLLEGE DISTRICT, SPECIAL TAXING DISTRICT, AUTHORITY  
22 OR PUBLIC ENTITY ORGANIZED PURSUANT TO THE LAWS OF THIS STATE THAT MEETS THE  
23 REQUIREMENTS OF SECTION 38-656 MAY APPLY TO THE DEPARTMENT OF ADMINISTRATION  
24 TO PARTICIPATE IN THE SELF-INSURANCE PROGRAM THAT IS PROVIDED BY THIS SECTION  
25 PURSUANT TO RULES ADOPTED BY THE DEPARTMENT. A PARTICIPATING ENTITY SHALL  
26 REIMBURSE THE DEPARTMENT FOR ALL PREMIUMS AND ADMINISTRATIVE OR OTHER  
27 INSURANCE COSTS. THE DEPARTMENT SHALL ACTUARIALLY PRESCRIBE THE ANNUAL  
28 PREMIUM FOR EACH PARTICIPATING ENTITY TO REFLECT THE ACTUAL COST OF EACH  
29 PARTICIPATING ENTITY.

30 N. Any person that submits a bid to provide health and accident  
31 coverage pursuant to this section shall disclose any court or administrative  
32 judgments or orders issued against that person within the last ten years  
33 before the submittal.

34 Sec. 2. Existing non-state entities; access to health plan

35 Any entity that participates in the department of administration health  
36 and accident coverage pursuant to section 38-651, subsection J, Arizona  
37 Revised Statutes, on or before the effective date of this act may continue  
38 the participation using any health plan that is offered by the department of  
39 administration.

APPROVED BY THE GOVERNOR JUNE 3, 2004.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 3, 2004.

Passed the House April 29, 20 04


by the following vote: 49 Ayes,

2 Nays, 9 Not Voting

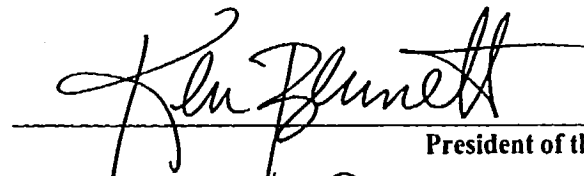
Passed the Senate March 1, 20 04

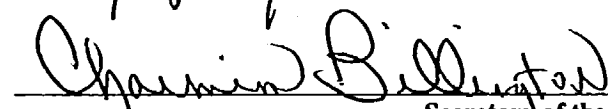
by the following vote: 27 Ayes,

0 Nays, 3 Not Voting

  
Speaker of the House  
Pro Tempore

  
Asst. Chief Clerk of the House

  
President of the Senate

  
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill was received by the Governor this

       day of       , 20       ,

at        o'clock        M.

        
Secretary to the Governor

Approved this        day of

      , 20       ,

at        o'clock        M.

        
Governor of Arizona

S.B. 1366

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this        day of       , 20       ,

at        o'clock        M.

        
Secretary of State

HOUSE FINAL PASSAGE  
as per Joint Conference

Passed the House May 26, 2004,

by the following vote: 43 Ayes,

13 Nays, 4 Not Voting

Jake Flake  
Speaker of the House

Norman L. Syore  
Chief Clerk of the House

SENATE FINAL PASSAGE  
as per Joint Conference

Passed the Senate May 26, 2004,

by the following vote: 28 Ayes,

0 Nays, 3 Not Voting

John Bennett  
President of the Senate

Chasmin D. Dwyer  
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill was received by the Governor

this 27th day of May, 2004,

at 8:40 o'clock a. M.

Nennifer Ybarra  
Secretary to the Governor

Approved this 3 day of

June, 2004,

at 3:45 o'clock P. M.

Jon Kyl  
Governor of Arizona

S.B. 1366

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 3 day of June, 2004,

at 4:22 o'clock P. M.

Janice K. Brewer  
Secretary of State